

UNITED STATES OF AMERICA
POSTAL REGULATORY COMMISSION
WASHINGTON, DC 20268-0001

Before Commissioners:

Ruth Y. Goldway, Chairman;
Mark Acton, Vice Chairman;
Nanci E. Langley; and
Robert G. Taub

Mail Processing Network
Rationalization Service Changes, 2012

Docket No. N2012-1

NOTICE AND ORDER CONCERNING REQUEST FOR AN ADVISORY OPINION
REGARDING THE REVISION OF SERVICE STANDARDS FOR FIRST-CLASS MAIL,
PERIODICALS, PACKAGE SERVICES, AND STANDARD MAIL

(Issued December 7, 2011)

On December 5, 2011, the United States Postal Service (Postal Service) filed a request with the Postal Regulatory Commission (Commission) for the Commission to issue an advisory opinion under 39 U.S.C. 3661(c) regarding whether certain changes in the nature of postal services conform to the applicable policies of title 39.¹

The Postal Service proposes to revise service standards for First-Class Mail, Periodicals, Package Services, and Standard Mail. The most significant revisions would eliminate the expectation of overnight service for significant portions of First-Class Mail and Periodicals. Within First-Class Mail, 3-digit origin-destination pair service standards would be modified to move overnight delivery to 2-day delivery, and to move a portion of 2-day delivery to 3-day delivery. *Id.* at 1. Although changes to service standards for

¹ Request of the United States Postal Service for an Advisory Opinion on Changes in the Nature of Postal Services, December 5, 2011 (Request).

competitive products such as Express Mail and Priority Mail are not being proposed, the realignment of 3-digit origin-destination pairs could also affect those products. *Id.* at 7.

The Postal Service asserts the service standard changes would allow for a significant consolidation of the Postal Service's processing and transportation networks. It contends the consolidated networks would better match current and projected mail volumes and result in substantial cost savings. *Id.* at 1-2. The Postal Service projects this effort will result in costs savings of \$2.1 billion annually. *Id.* at 4.

Concurrent with this request for an advisory opinion, the Postal Service is separately pursuing modification of the market dominant product service standards appearing at 39 CFR parts 121 and 122. *Id.* at 6. The Postal Service asserts that no changes to service standards will be implemented until completion of the independent rulemaking anticipated for completion in March 2012. *Id.* at 14. Thus, the Postal Service realistically anticipates there will be no changes to service standards associated with the request for an advisory opinion until the first half of April 2012, at the earliest. *Id.*

The Postal Service's direct case. The Request is accompanied by 13 pieces of testimony, 33 public library references, and 6 non-public library references. The Postal Service explains that the circumstances under which it seeks this advisory opinion are explained in the Direct Testimony of David E. Williams on Behalf of the United States Postal Service (USPS-T-1).

The modeling performed to study potential network changes as well as delivery, mail processing, maintenance and transportation operational changes that are being planned are explained in the Direct Testimony of Stephen Masse on Behalf of the United States Postal Service (USPS-T-2), Direct Testimony of Emily R. Rosenberg on Behalf of the United States Postal Service (USPS-T-3), Direct Testimony of Frank Neri on Behalf of the United States Postal Service (USPS-T-4), Direct Testimony of Dominic L. Bratta on Behalf of United States Postal Service (USPS-T-5), and Direct Testimony of Cheryl D. Martin on Behalf of the United States Postal Service (USPS-T-6).

The Direct Testimony of Pritha N. Mehra on Behalf of the United States Postal Service (USPS-T-7) and Direct Testimony of Kevin Rachel on Behalf of the United States Postal Service (USPS-T- 8) discuss potential commercial mailer impacts and labor issues relating to potential cost savings.

Detailed estimates of the operational cost savings that could be achieved if the changes were in effect are provided in Direct Testimony of Marc A. Smith on Behalf of the United States Postal Service (USPS-T-9) and Direct Testimony of Michael D. Bradley on Behalf of the United States Postal Service (USPS-T-10).

Based upon quantitative and qualitative market research provided in Direct Testimony of Rebecca Elmore-Yalch on Behalf of the United States Postal Service (USPS-T-11), the Postal Service estimates the potential revenue loss that could result from implementing these service changes in Direct Testimony of Greg Whiteman on Behalf of the United States Postal Service (USPS-T-12).

The Postal Service asserts the service changes described in this request potentially affect every sender and recipient of mail served directly by the United States Postal Service. Accordingly, the Direct Testimony of Susan M. Lachance on Behalf of the United States Postal Service (USPS-T-13) summarizes the tools and techniques that the Postal Service has employed and will continue to employ for communicating effectively vital information to customers in a timely fashion.

The Request and all supporting public materials are on file in the Commission's docket room for inspection during regular business hours, and are available on the Commission's website at www.prc.gov.

Intervention. Section 3661(c) of title 39 requires that the Commission afford an opportunity for a formal, on-the-record hearing of the Postal Service's Request under the terms specified in sections 556 and 557 of title 5 of the United States Code before issuing its advisory opinion. All interested persons are hereby notified that notices of intervention in this proceeding shall be due on or before December 30, 2011. See 39 CFR 3001.20 and 3001.20a. It is the Commission's intent to hold hearings for the receipt of evidence in this proceeding.

Participants are reminded that discovery directed towards the Postal Service's direct case may begin upon intervention. Participants are encouraged to begin discovery as soon as possible because the Commission anticipates a limited discovery period in this proceeding.

Further procedures. At this time, the Commission cannot anticipate the duration, or even the exact form, proceedings on this matter will take. The Postal Service proposes that the Commission convene a prehearing conference at the earliest reasonable opportunity to consider all possible ways to expedite and streamline this proceeding. *Id.* at 13 n.15. The Commission will accommodate this request by scheduling a prehearing conference for January 4, 2012, at 10:00 a.m. in the Commission's hearing room.

Participants who wish to offer their views on procedural issues, including a procedural schedule, may do so during the prehearing conference. At a minimum, participants should be prepared to discuss and justify the length of time necessary for discovery on the Postal Service's direct case, and an estimation of time necessary for preparation of any rebuttal testimony after the Postal Service's direct case is entered into the record at hearing. Participants also are encouraged to comment on these issues within their notices of intervention if possible.

Shortly following the prehearing conference, a procedural schedule will be issued, as well as any special procedures that may be applicable to this proceeding. The procedural schedule will be established consistent with participants' due process rights for thorough consideration of all material issues relevant to this docket.

Public Representative. Section 3661(c) of title 39 requires the participation of an "officer of the Commission who shall be required to represent the interests of the general public." Christopher Laver is designated to serve as Public Representative to represent the interests of the general public in this proceeding. The Public Representative shall direct the activities of Commission personnel assigned to assist him and, at an appropriate time, shall provide the names of these employees for the record. Neither the Public Representative nor the assigned personnel shall participate

in or advise as to any Commission decision in this proceeding other than in their designated capacity.

It is Ordered:

1. The Commission establishes Docket No. N2012-1 to consider the Postal Service Request referred to in the body of this Order.
2. The Commission will sit *en banc* in this proceeding.
3. Notices of intervention are due no later than December 30, 2011.
4. A prehearing conference is scheduled for January 4, 2012, at 10:00 a.m., in the Commission's hearing room.
5. Pursuant to 39 U.S.C. 505 and 3661(c), the Commission appoints Christopher Laver to represent the interests of the general public in this proceeding.
6. The Secretary shall arrange for publication of this Notice in the *Federal Register*.

By the Commission.

Ruth Ann Abrams
Acting Secretary